

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SMITH
(USPS/OCA-T4-1-7)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Smith:

USPS/OCA-T4-1-7.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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May 25, 2000

USPS/OCA-T4-1. Please refer to your testimony at page 1, line 9. Please specify each regulatory proceeding, other than Docket No. R97-1, in which you gave testimony pertaining to an econometric analysis of panel data, and provide a copy of the written testimony. If there are no such instances, please so indicate.

USPS/OCA-T4-2. Please refer to your testimony at page 13, lines 3-4 and footnote 14.

- a. Please define the term "equilibrium point" as you use it in the footnote.
- b. Please define the term "facility size" as you use it in the footnote.

USPS/OCA-T4-3. Please refer to your testimony at page 15, lines 15-18, where you discuss the "random effects" estimator. Do you mean to say in line 18 that the random-effects model assumes that the facility specific characteristics are *stochastic* (i.e., random)? If not, please explain.

USPS/OCA-T4-4. Please refer to your testimony at page 28, lines 1-2. Did you perform any quantitative analysis of Dr. Bozzo's data, models, or results to determine whether the "underlying investment series" is actually "unrepresentative of current operations"? If so, please describe the methods and results of your analysis in detail.

USPS/OCA-T4-5. Please refer to your testimony at page 28, lines 5-7. Also please refer to Dr. Bozzo's testimony, USPS-T-15 at pages 78, line 11 to page 79 and Appendix D, page 152.

- a. Please confirm that the referenced sections of Dr. Bozzo's testimony discusses "the appropriate way, if any, to use data from previous years to evaluate the elasticities [volume-variability factors] for the 1998 Base Year" and present the results of evaluating the elasticities using only the FY 1998 observations. If you do not confirm, please state your understanding of the referenced sections.
- b. Did you perform any quantitative analysis of Dr. Bozzo's data, models, or results to determine whether any relevant discontinuities actually exist and/or to quantify their effects? If so, please describe the methods and results of your analysis in detail.

USPS/OCA-T4-6. Please refer to your testimony at page 38, lines 6-7. Please also refer to Docket No. R97-1, USPS-T-14 at page 12, and the Commission's Docket No. R97-1 Opinion and Recommended Decision, Vol. 1, at page 81 (paragraph 3039) and page 83 (paragraph 3043).

- a. Please confirm that Dr. Bradley characterized his models as "cost equations" which he (and the Commission) specifically distinguished from "cost functions" as the latter term is normally used in treatments of economic production theory. If you do not confirm, please explain.

- b. Please indicate your understanding of the Commission's reference, at page 83 (cited above), to Dr. Bradley's need to provide a data set sufficient to "specify cost functions or, more precisely, functions describing the Postal Service's derived demand for mail processing labor time."

USPS/OCA-T4-7. Please refer to your testimony at page 38, lines 12-18 and footnote 47.

- a. Do you contend that formal (mathematical) derivation of the labor demand function cannot be performed? Please explain any answer other than an unqualified no.
- b. Is it your understanding that sources in the economic literature provide and/or discuss the derivation, including (but not limited to) the material cited in Dr. Bozzo's response to OCA/USPS-T-15-56(c), to which you refer in footnote 47? Please explain any answer other than an unqualified yes.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


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